

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE  
FOR THE STATE OF TENNESSEE AT NASHVILLE**

**TENNESSEE SECURITIES DIVISION,**  
**Petitioner,**

**vs.**

**No.: 00-014**

**ADDMAC ENTERTAINMENT, INC.,**  
**NOUVEAU ENTERTAINMENT, INC.,**  
**MIDWEST DIVERSIFIED RESOURCES, INC.,**  
**SENIOR BROKERAGE, INC.,**  
**VERNON SHIFLETT, and GREGORY H. BROOKS,**  
**Respondents.**

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**ORDER TO CEASE AND DESIST**

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This Order issues as a result of a Petition and its exhibits attached hereto filed by the Tennessee Securities Division of the Department of Commerce and Insurance and is predicated upon the following Findings of Fact and Conclusions of Law

**FINDINGS OF FACT**

1        Addmac Entertainment, Inc. (hereinafter referred to as "AEI"), is a business entity which represents its business address to be 2550 Corporate Exchange Drive, Suite 101, Columbus, Ohio 43231    AEI has never registered a securities offering with the Division.

2.        Nouveau Entertainment, Inc. (hereinafter referred to as "NEI"), is a business entity which represents its business address to be 2550 Corporate Exchange Drive, Suite 101, Columbus, Ohio 43231    NEI has never registered a securities offering with the Division.

3        Midwest Diversified Resources, Inc. (hereinafter referred to as "MDRI"), is a business entity which represents its business address to be 2550 Corporate Exchange Drive, Suite 101, Columbus, Ohio 43231    MDRI has never registered with the Division as a broker-dealer or as

an investment adviser

4. Senior Brokerage, Inc. (hereinafter referred to as "SBI"), is a business entity which represents its business address to be 2550 Corporate Exchange Drive, Suite 101, Columbus, Ohio 43231. MDRI has never registered with the Division as a broker-dealer or as an investment adviser.

5. Vernon Shiflett (hereinafter referred to as "Shiflett") is a person whose citizenship and residence are unknown to the Division at time. Shiflett represents his business address to be 2550 Corporate Exchange Drive, Suite 101, Columbus, Ohio 43231. Shiflett has never registered with the Division as a broker-dealer, or as an agent of a broker-dealer.

6. Gregory H. Brooks (hereinafter referred to as "Brooks") is a citizen and resident of the State of Tennessee, with his address being 6943 Westerly Winds Road, Knoxville, Tennessee. Brooks has never registered with the Division as a broker-dealer, or as an agent of a broker-

7. The Respondents are presently and will continue to be engaged in the offer and/or sale of notes which are securities to Tennessee residents which are not registered with the Securities Division, and do not qualify for any of the exemptions provided in the Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. §§ 48-2-101, *et seq.* As a result of this activity, the public will suffer immediate and irreparable injury, loss or damage;

8. The Respondents, MDRI and SBI, are presently and will continue to act as broker-dealers in the State of Tennessee without proper registration, and will continue to solicit Tennessee resident customers. As a result of this activity, the public will suffer immediate and irreparable injury, loss or damage;

9. The Respondents, Shiflett and Brooks, are presently and will continue to act as agents of a broker-dealer in the State of Tennessee without proper registration, and will continue to solicit

an investment adviser

4. Senior Brokerage, Inc. (hereinafter referred to as "SBI"), is a business entity which represents its business address to be 9040 Executive Park Drive, Suite 383, Knoxville, Tennessee 37923. SBI has never registered with the Division as a broker-dealer or as an investment adviser.

5. Vernon Shiflett (hereinafter referred to as "Shiflett") is a person whose citizenship and residence are unknown to the Division at time. Shiflett represents his business address to be 2550 Corporate Exchange Drive, Suite 101, Columbus, Ohio 43231. Shiflett has never registered with the Division as a broker-dealer, or as an agent of a broker-dealer.

6. Gregory H. Brooks (hereinafter referred to as "Brooks") is a citizen and resident of the State of Tennessee, with his address being 6943 Westerly Winds Road, Knoxville, Tennessee 37931. Brooks has never registered with the Division as a broker-dealer, or as an agent of a broker-dealer.

7. The Respondents are presently and will continue to be engaged in the offer and/or sale of notes which are securities to Tennessee residents which are not registered with the Securities Division, and do not qualify for any of the exemptions provided in the Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. §§ 48-2-101, *et seq.* As a result of this activity, the public will suffer immediate and irreparable injury, loss or damage;

8. The Respondents, MDRI and SBI, are presently and will continue to act as broker-dealers in the State of Tennessee without proper registration, and will continue to solicit Tennessee resident customers. As a result of this activity, the public will suffer immediate and irreparable injury, loss or damage;

9. The Respondents, Shiflett and Brooks, are presently and will continue to act as agents of a broker-dealer in the State of Tennessee without proper registration, and will continue to solicit

Tennessee resident customers. As a result of this activity, the public will suffer immediate and irreparable injury, loss or damage;

10. The Respondents, in connection with the offer, sale and purchase of a security in this state, are engaged in an act, practice or course of business which operates as a fraud or deceit upon citizens of this state by making omissions of material fact in the offer and sale of securities in this State. Specifically, the Respondents are misrepresenting that the securities are exempt from the registration requirements of the Act, and that the securities are insured. The Respondents are also failing to disclose information concerning AEI and NEI which would be disclosed in properly prepared registration documents. Finally, the Respondents are failing to disclose that MDRI, SBI, Shiflett and Brooks need to be registered in order to engage in the sale of the securities being sold;

11. This Order is in the public interest and necessary for the protection of investors, and is consistent with the purposes fairly intended by the Act;

### **CONCLUSIONS OF LAW**

1. Tennessee Code Annotated § 48-2-104 provides that it is unlawful for any person to sell any security in this state unless it is registered under this part, the security transaction is exempted under § 48-2-103, or the security is a covered security;

2. Tennessee Code Annotated § 48-2-102(12) sets out that included in the definition of security are notes;

3. Tennessee Code Annotated § 48-2-102(3) defines a “broker-dealer” as any person engaged in the business of effecting transactions in securities for the account of others, or any person engaged in the business of buying or selling securities issued by one (1) or more other persons for such person’s own account and as part of a regular business rather than in connection with such

person's investment activities;

4. Tennessee Code Annotated § 48-2-102(2) defines an "agent" as any individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities from, in or into this state;

5. Tennessee Code Annotated § 48-2-109(a) provides that it is unlawful for any person to transact business from or in this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under this part;

6. Tennessee Code Annotated § 48-2-121(a) provides that it is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, directly or indirectly, to employ any device, scheme, or artifice to defraud, make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, or engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

Based upon the Findings of Fact, the Respondents have violated and are violating Tennessee Code Annotated § 48-2-104(a) by engaging in the offer and/or sale of an unregistered security;

8. Based upon the Findings of Fact, the Respondents, MDRI and SBI, have violated and are violating Tennessee Code Annotated § 48-2-109(a) by acting as unregistered broker-dealers;

9. Based upon the Findings of Fact, the Respondents, Shiflett and Brooks, have violated and are violating Tennessee Code Annotated § 48-2-109(a) by acting as unregistered agents of a broker-dealer;

10. Based upon the Findings of Fact, the Respondents have violated and are violating Tennessee Code Annotated § 48-2-121(a) by making material omissions of facts in the offer and sale

of a security;

1 Tennessee Code Annotated § 48-2-116 provides that the Commissioner may make, promulgate, amend, and rescind such Orders as are necessary to carry out the provisions of the Tennessee Securities Act of 1980, as amended, and that such Order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act;

12. Tennessee Code Annotated § 48-2-116(e)(2) provides that no Order may be entered without prior notice to affected parties (unless the Commissioner determines that prior notice would not be in the public interest and would be detrimental to the protection of investors), an opportunity for a hearing before the Commissioner, and written Findings of Fact and Conclusions of Law;

13 Based upon the Findings of Fact, it would not be in the public interest and it would be detrimental to the protection of investors if prior notice of this Order were given to affected parties;

**NOW, THEREFORE**, in consideration of the foregoing, it is **ORDERED** that:

The Respondents shall comply with the provisions of the Tennessee Securities Act of 1980, as amended.

2. The Respondents shall cease and desist in the future conduct of offering and/or selling any unregistered security from, in, or into the State of Tennessee until such time as all securities offered and/or sold are effectively registered with the Division.

3 The Respondents shall cease and desist in the further conduct as a broker-dealer from, in, or into the State of Tennessee until such time as they are effectively registered with the Division to engage in such activity.

4. The Respondents shall cease and desist further use of any device, scheme, or artifice to defraud, make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, or engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person In the offer and/or sale of a security from, in or into this State.

5. All persons in any way assisting, aiding, or helping any of the aforementioned Respondents in any of the aforementioned violations of the Tennessee Securities Act of 1980, as amended, Tennessee Code Annotated §§ 48-2-101, *et seq.*, shall cease and desist from all such activities in violation of the Tennessee Securities Act of 1980, as amended.

This Order is not intended to prohibit any lawful conduct in which the Respondents might be engaged.

Entry of this Order shall not in any way restrict the Tennessee Securities Division or the Commissioner of Commerce and Insurance from taking further action with respect to these or other possible violations by the Respondents of the Act or any of the Rules promulgated thereunder.

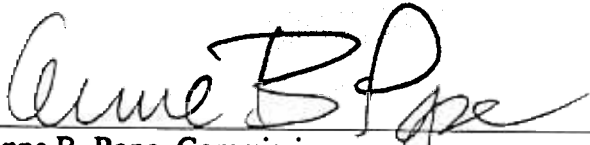
This Order shall become a Final Order thirty (30) days from the date of its entry, unless written notification requesting a hearing is made within that thirty (30) day period.

You are advised that you have the right to a hearing as to all matters raised in this Order. If you wish to exercise your right to a hearing, please notify:

**DAPHNE D. SMITH  
ASSISTANT COMMISSIONER FOR SECURITIES  
STATE OF TENNESSEE, DEPARTMENT OF COMMERCE AND INSURANCE  
DAVY CROCKETT TOWER, SUITE 680  
500 JAMES ROBERTSON PARKWAY  
NASHVILLE, TENNESSEE 37243**

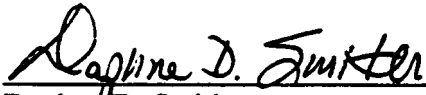
Such request must be received within thirty (30) days of the date of entry of this Order.

ENTERED this the 2<sup>nd</sup> day of November, 2000.

  
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Anne B. Pope, Commissioner  
Department of Commerce and Insurance



**APPROVED FOR ENTRY:**



Daphne D. Smith  
Assistant Commissioner for Securities  
Department of Commerce and Insurance



John F. Morris (BPR# 019144)  
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